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RUEKJCS/JOINT STAFF WASHDC
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RHEHNSC/NSC WASHDC 0404
RHEFAAA/DIA WASHDC
RUEAIIA/CIA WASHDC
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SENSITIVE
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TAGS: [PARM](#) [PGOV](#) [PREL](#) [ENRG](#) [MNUC](#) [KNNP](#) [TRGY](#) [UK](#) [KZ](#)

SUBJECT: ENCOURAGING KAZAKHSTAN TO MEET ITS BN-350 SPENT
FUEL TRANSFER FUNDING REQUIREMENTS

REF: A. STATE 89507
[1](#)B. ASTANA 02298

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (U) This is an action request. Please see paragraph
nine.

[1](#)3. (SBU) SUMMARY: In the 1997 agreement, &Implementing Arrangements between the Department of Energy of the United States of America and the Ministry of Sciences) Academy of Sciences of the Republic of Kazakhstan Concerning Long-term Disposition of BN-350 Nuclear Material,8 the government of Kazakhstan committed to funding the transfer of BN-350 spent fuel. On November 12, the U.S. Department of Energy/National Nuclear Security Administration (DOE/NNSA) stated that the fiscal year 2009 budget request for DOE,s contractor in Kazakhstan was denied by the government of Kazakhstan. DOE/NNSA requested assistance in urging the Kazakshtani government to meet its 1997 commitments by funding this budget request. In September, per the instructions in reftel A, post delivered letters from then-Ambassador Ordway to the Minister of Energy and Mineral Resources and to Prime Minister Masimov urging the government of Kazakhstan to provide extra-budgetary funding to transport BN-350 spent fuel. The Kazakhstani government has stated they will not contribute additional funds for this project. The U.S. Department of Energy,s contractor for the U.S. government-funded sodium processing facility, which processes contaminated sodium from the BN-350 reactor, also requested assistance in seeking budgetary support from the government of Kazakhstan (reftel B). Post requests detailed guidance on encouraging the government of Kazakhstan to meet its various BN-350 funding commitments. END SUMMARY.

REGULAR BUDGETARY FUNDING REQUEST FOR BN-350 SPENT FUEL
TRANSFER DENIED

[1](#)4. (SBU) In article two, paragraph three of the &Implementing Arrangement Between the Department of Energy of the United States of America and the Ministry of Science) Academy of Sciences of the Republic of Kazakhstan

Concerning Long-Term Disposition of BN-350 Nuclear Material,⁸ signed on November 18, 1997, the government of Kazakhstan agreed to provide financial and logistical support for the transfer of spent fuel from the site of the BN-350 reactor in Aktau to the designated fuel storage site of Baikal I in Semipalatinsk. Kazakhstan's Ministry of Energy and Mineral Resources (MEMR) has subsequently taken responsibility for implementation of the BN-350 Spent Fuel Program. DOE/NNSA's current contractor in Kazakhstan is the Kazakhstan Atomic Energy Company (KATEP). On November 12, DOE/NNSA reported that KATEP's fiscal year 2009 budget request for the BN-350 Spent Fuel Project was denied by the government of Kazakhstan. KATEP's Vice President, Alexander Baldov, stated that KATEP and Kazatomprom are working together to prepare a proposal for funding from an alternative source, and DOE/NNSA requested assistance in urging the government of Kazakhstan to follow through on its funding commitments.

15. (SBU) During NNSA's last project meeting in Almaty in October, Baldov indicated that KATEP, working together with MAEC Kazatomprom and Kazakhstan's National Nuclear Center (NNC) had developed the extensive documentation package that was needed by the government of Kazakhstan for funding consideration. Baldov said meetings had been held with MEMR on GOK funding. KATEP originally requested approximately \$25 million in regular budgetary funding. This amount included the \$15 million necessary for the entire transport project, as well as \$5 million for infrastructure upgrades, and \$5 million for physical protection services. The minimum necessary to adhere to the current schedule for 2009 would be \$5 million to provide physical protection support services

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and pave the road from the Kurchatov transfer station to the Baikal I storage facility to ensure a safe &dry-run⁸ and the first several &hot-fuel⁸ cask shipments. To date, the U.S. government has spent over \$150 million on the BN-350 Spent Fuel Program, and every year the Kazakhstani government assured DOE/NNSA of its intention to honor its commitments to fund the BN-350 Spent Fuel transfer.

16. (SBU) The U.S. and Kazakhstan held their most recent high-level meeting on the BN-350 Spent Fuel Program on September 24 in Astana and on September 25 and 26 in Almaty. The September 24 meeting primarily discussed the reactor conversion project at the Institute of Nuclear Physics. Regarding the logistics of the BN-350 spent fuel transfer, Kazakhstani officials affirmed that all equipment necessary for transfer operations had been received and that the National Nuclear Center expected to complete the storage site at Baikal I on time. The issue of regular budgetary funding for the BN-350 spent fuel program was not specifically discussed at the September 24 meeting.

U.S. REQUESTS FOR SUPPLEMENTAL FUNDS TO SUPPORT TRANSFER OF BN-350 SPENT FUEL ALSO REPEATEDLY DENIED

17. (SBU) In September, per the instructions in reftel A, post delivered letters from then-Ambassador Ordway to the Minister of Energy and Mineral Resources and to Prime Minister Masimov urging the government of Kazakhstan to provide extra-budgetary funding to transport BN-350 spent fuel. The Senior MEMR representative at the September 24 meeting, Almaz Tulebayev, Director of the Department of Nuclear Power and Industry, confirmed that the letters had been received, and that MEMR was carefully considering the request. However, Tulebayev also stated that MEMR's budget had already been sent to Parliament, and it was unlikely that the funding requested in the letters could be obtained. Mynbayev made a similar response during his discussion with then-Ambassador Ordway on September 8.

NORMAL BUDGETARY FUNDING FOR SODIUM PROCESSING FACILITY MAINTENANCE AT BN-350 ALSO DENIED

18. (SBU) Funding for all projects related to BN-350 appears to be limited for fiscal year 2009. On November 5, U.S. and Kazakhstani officials met in Aktau to celebrate the completion of the \$3.35 million U.S. government-funded sodium processing facility. The Kazakhstani government committed to fund maintenance of the facility after construction was completed. However, on November 5, representatives from Kazakhstan, MEMR, Kazatomprom, and MAEC-Kazatomprom informed U.S. officials that MAEC's budget request had been denied. Instead MAEC received limited plan of priority measures funding. The contractor in charge of building the facility, Kazakhstan's National Nuclear Technology Safety Center (NTSC), requested U.S. government assistance to lobby seem more budgetary assistance for long-term maintenance requirements (reftel B).

ASSISTANCE REQUESTED TO SECURE FUNDING FOR BN-350 SPENT FUEL TRANSFER

19. (SBU) ACTION REQUEST: DOE/NNSA, KATEP AND NTSC have made three separate requests for U.S. assistance in encouraging the government of Kazakhstan to fund BN-350 projects. Post requests detailed instructions from Washington, concerning all funding commitments by the Government of Kazakhstan which have been documented in writing, and requests specific instructions on how much, and for what purposes, funding is to be requested from the government of Kazakhstan. END ACTION REQUEST.
HOAGLAND